

# Strategic Analysis Paper

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## So, What if India Becomes a Member of the SCO?

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### Key Points

- Reports suggest that India, Pakistan, Mongolia and Iran will be invited to become full members of the Shanghai Co-operation Organisation.
- If true, India's membership could have a major impact on its relations with China, the United States and Russia.
- It could also have a paradigm-changing impact upon India-Pakistan relations, with a radical effect on India's energy security and its overall economy.
- For its part, the Government of Pakistan could diminish the Army's influence on foreign and security policy, reduce its military budget and re-allocate that saving to urgently-required energy, water and food security initiatives.
- All in all, SCO membership would be a superb opportunity for India's economic, political and social development, but much thought must go into examining the terms and conditions, not to mention the implications, of that membership.

### Summary

At least one news [report](#) suggests that a decision was made at the Shanghai Co-operation Organisation's (SCO) Foreign Ministers' meeting held in Dushanbe, Tajikistan, at the end of July to offer full membership to India, Pakistan, Iran and Mongolia, all of which currently have observer status. If true, invitations to become members of the organisation will be extended at the next summit to be held in September. While no official announcement has

been made by the organisation or any of the countries involved, full membership in SCO could have a major effect on the foreign and security policies of the four countries and a huge impact on the international order.

### **Analysis**

The SCO – composed of China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan – was created in 1996, for the most part to demilitarise the border between China and Russia. Uzbekistan was made a member in 2001 and the organisation, which was called the Shanghai Five until then, renamed itself as the SCO. More recently, its activities have included military co-operation, intelligence sharing, and counter-terrorism drills between its member states. Some analysts see the SCO as a major anti-US instrument of Russia and China in Central Asia. Others, however, believe that underlying friction between Russia and China precludes a unified organisation. Mongolia received observer status – limited participation in the organisation’s activities granted by members to non-members – in 2004 and India, Iran and Pakistan in 2005.

Should India, Pakistan, Mongolia and Iran become members of the SCO, the organisation will comprise a land mass that extends from Europe’s eastern border to the Pacific Ocean and from the Arctic to the Indian Ocean. It will include the populations of China and India, estimated at 2.4 billion or a full third of the world’s population, the major energy resources of Iran, Mongolia and Russia, and the wherewithal to pose a political and security counter to NATO. On the economic front, the rising economies of China, Russia and India could counter the economic clout of the United States and its allies. The decision taken by Russia and China to use the Chinese yuan as the basis for trade between them could see this arrangement extended to include India, an outcome China would welcome as part of its strategy to diminish, and ultimately replace, American influence in the region.

A major question is why China, which had previously opposed India’s membership in SCO, changed its mind. It is common knowledge that Prime Minister Narendra Modi and President Xi addressed India’s membership in the SCO on the side-lines of the BRICS summit in Brazil in July this year. It is possible that China, noting that the Bharatiya Janata Party won sufficient seats to govern in its own right and not be held hostage to coalition politics, could now effectively pursue economic, social, security and political reform.

It is equally possible that Russia pressured China to grant India membership in SCO because of New Delhi’s perceived shift towards the West after the US replaced Russia as India’s largest defence supplier.

Recognising India’s shift towards the West, China might also have decided that it would be more beneficial to have India in a position whereby New Delhi could be influenced to side with Moscow and Beijing instead of Washington and London. Furthermore, given the animosity generated towards China by its activities in the South China Sea Beijing may be sensitive to the fact that it cannot have a state that is actively building ever-closer ties with

the West on its continental border, let alone one that could be influenced to turn hostile towards it.

It could be that China recognises that India has security and energy links with Vietnam. For instance, in 2013, India and Vietnam reaffirmed and agreed to extend their security agreements. India has agreed to train five hundred Vietnamese submariners and transfer four naval boats to Vietnam. India also agreed to help Vietnam modernise its military and build its capacity, having made it clear that it [supports](#) Vietnam in its South China Sea dispute with China. Given that both India and Vietnam have fought wars with China, it makes sense for Beijing to disrupt any further growth in relations between the two.

It is, however, in the energy sector that China has more cause for worry. In November 2013, Vietnam offered India seven oil blocks off its coast to prospect, including three on an exclusive basis. When China objected, Vietnam and India together stridently announced India's right to explore for oil in the Vietnamese exclusive economic zone, part of which is claimed by China. India has also announced its right to free navigation in the South China Sea, thus ignoring China's claims to it. China can ill afford to have an antagonistic India in its west, especially one which is growing ever closer to the West, when it needs to concentrate on events in the East and South China Seas.

It is also possible that China hopes to influence India by extending the Russia-China oil and gas pipelines to India. An extension of these pipelines will allow India to access Russian energy without being overly concerned with transportation cost. Perhaps most importantly, however, is the fact that if India became a member of the SCO, China could continue to procure energy supplies from its current suppliers in the Middle East and Africa and transport those supplies across the Indian Ocean, and past India, without having to be unduly concerned that they supplies could be disrupted. This, coupled with India's growing relations with Japan, Indonesia, Thailand, the Philippines, South Korea and Vietnam, forces China to re-evaluate India's potential to damage it economically and strategically. These issues were examined in depth in previous reports [here](#) and [here](#).

Essentially, China stands to gain more than it loses by withdrawing its opposition to Indian membership in the SCO.

Russia possibly had its own reasons for wanting India in the SCO. Given President Putin's nationalistic fervour, and his overwhelming desire for Russia to remain a major player in world affairs, he will have watched with concern Beijing's growing [influence](#) in the Central Asian republics, a region Moscow views as its backyard. It is likely that Moscow initiated the Collective Security Treaty Organisation (CSTO) in order to [balance](#) SCO's (read Beijing's) influence in Central Asia. It is equally likely that Putin [distrusts](#) Xi's agenda and is wary of playing second fiddle within the SCO. Given Russia's particularly strong relationship with India, and the fact that India would likely side with Russia against China in determining the SCO's agenda, Putin probably pressured China to withdraw its objections to India's membership in the organisation. It is equally likely that China insisted that Pakistan be offered membership to counter such a situation.

It is pertinent to try to determine why an offer of membership was made at this time, assuming it was made or is to be made at all. It could be that China and Russia are trying to prove a point to the US; Modi is to meet US President Obama in September. It is possible that the issue of India's support for Russia will be dealt with during this meeting. At a recent meeting with Indian officials, US Secretary of State John Kerry was informed that India would take no part in US sanctions against Russia due to its actions in the Ukraine. Instead, much to Kerry's disappointment, India stated that Russia had every right to act in the Ukraine. In essence, India was making the point that it would pursue its own agenda of non-alignment and would take no sides. This runs counter to US objectives. On the one hand, the US seeks to contain Russia and China, at this time the two most important countries in the SCO, and simultaneously bring India within its orbit. If India, Pakistan, Iran and Mongolia become members of the organisation, it would be a blow to US strategy and simultaneously prove a boon to China and Russia.

The US currently tries to portray NATO as a global security organisation – witness its expansion into Eastern Europe. The CSTO and SCO together fill the security vacuum that would otherwise be filled by NATO in Central Asia. Arguably more importantly, however, is the fact that with an extended membership, the SCO challenges the idea of NATO as a global security organisation; it gives other states the option of choosing between NATO and itself. Moreover, with the addition of more members, any US or European sanctions against Russia – or, for that matter, any other member of the organisation – become irrelevant to a large degree. As a case in point, European- or US-led negotiations with Iran now face a different and higher set of hurdles.

Similarly, given their geographical situation, SCO members could be poised to venture into Afghanistan after the US withdrawal later this year. Further into the future, it is just as likely that SCO members could trade using the yuan as a basis rather than the US dollar, much as some aspects of Sino-Russian trade are conducted at present. This will be yet another aspect of Xi's determination to diminish US influence in the region and, if at all possible, to remove it altogether. The SCO will move beyond being a localised organisation to one that comprises a major land mass. Essentially, the combined economic, security and political clout of four nuclear states, and the possibility that Iran might become one, cannot be ignored; in fact, the SCO can now negotiate with NATO on an almost equal footing.

Finally, it is necessary to attempt to discern how membership in the SCO might benefit India. Given India's chronic shortage of energy, membership in the SCO, especially if Pakistan and Iran also accept membership, will pay particularly rich dividends. As noted previously, the Russian-Chinese oil and gas pipelines could be extended to India. This will have the obvious benefits of enhancing India's energy security by diversifying its sources. It is Pakistan's membership, however, that will give India cause to rejoice. Assuming that common membership will lead to better relations and a large reduction in the tensions between the two countries, India could arguably re-visit the creation of the Turkmenistan-Afghanistan-Pakistan-India and Iran-Pakistan-India pipelines. For its part, Pakistan could levy a negotiated transit fee on the energy supplies to India while, simultaneously, using the pipelines to alleviate its own [shortfalls](#) in energy supplies. Increased energy supplies will create an

enlarged manufacturing sector in the Indian economy, which results, in turn, in more and better employment opportunities, better education and a higher standard of living.

An obvious drawback that could jeopardise this scenario is the Pakistani Army, which sees itself as Pakistan's defence against all threats including, in its perception, a successful India. The Pakistani Army, moreover, is currently allocated approximately 22 per cent of Pakistan's budget. It is difficult to envision the Army leaders willingly giving up that proportion of funding, and the attendant power, to a civilian government. Another is the militant groups that were either created by the Pakistani Army or are controlled by them. These groups, which have been used to wage a proxy war against India, will now have to be made to cease their attacks on India and refrain from anything that could provide India with either benefit or advantage. If Pakistan could neutralise these two threats, it could itself move away from the verge of becoming a failed state and allow the government to formulate foreign and security policy, as it rightfully ought to do.

Energy security aside, India and China could potentially find a more negotiated settlement on water sharing. At present, there is a degree of friction between the two countries on the issue of water flows from the [Yarlung Tsangpo](#) river (called the Brahmaputra in India), from Tibet to India.

There could, similarly, be a negotiated settlement between China and India on the contested border issue. India has shown its willingness to abide by the decisions of international arbitrators, as it did in accepting the decision of the Arbitration Tribunal on the India-Bangladesh Maritime Delimitation, which was set down by the Permanent Court of Arbitration in The Hague. China will need, however, to be amenable to accepting the decision of an international tribunal if the two countries cannot reach an agreement themselves.

It is possible that China could tempt India to accept a degree of compromise in some or all of these areas in exchange for loans directed at revitalising its (India's) creaking infrastructure. China has [reportedly](#) offered India a loan of US\$300 billion to this end. On the other hand, President Obama has [reportedly](#) offered to help make India a US\$10 trillion economy. The catch, presumably, will be that India accedes to closer ties with the US and foregoes membership in the SCO.

There could be a complete revision of the international order if the four countries are indeed offered membership of the SCO and accept the offer. As has been noted, the SCO will offer an alternative to NATO, especially to the countries of South-East Asia. With further enlargement of its membership, the SCO could be instrumental in finding solutions to existing border disputes. This, though, will require plenty of time and a relaxation of existing siege mentalities. India, with its increasingly powerful military could, with a SCO mandate, potentially provide a security framework within the region and beyond.

All in all, India stands to benefit on many fronts if it becomes a member of the SCO.

There are, however, some important decisions that New Delhi will need to take if it does become a member. First, it will need to examine the terms of membership to ensure that it,

like Russia, does not feel constrained by any other member in any way. While it has strong ties with Russia, the same cannot be said of either China or its proxy, Pakistan. India will need to ensure that it will be offered the same level playing field of economic and political development opportunities as the other members, including China and Russia.

Second, it will need to determine what impact membership will have upon its present relations. For example, India is currently developing its relationship with Japan. It needs to determine if membership in the SCO will affect that relationship negatively. If the two countries agree to enter into a security agreement, what effect will that have on Sino-Indian relations within the SCO? India cannot possibly remain non-aligned in such a case for, if it did, it would limit its membership in the SCO to trade and commerce alone. The same is the case with its ASEAN and European relations.

Similarly, India depends on the US for purchases of advanced technology in various spheres. If neither Russia nor China can provide specific technologies, can India afford to do without them? Or, will it have to make do with inferior Russian or Chinese substitutes? It is highly unlikely that US allies, such as Israel, will be allowed to supply India with the technology it requires.

India also has strong military-to-military ties with the US, with which it conducts regular exercises, as well as Japan and others. The US and Japan, however, have strained relations with Russia and China. It will need to determine a course of action in the event of a conflict between, say, China and Japan over a territorial dispute in the East China Sea. If the US were to become involved in such a conflict, it is likely that Russia would provide aid of some kind to China. It is likely that India would then be asked to assist Russia and China. Playing the role of peace-maker may not suffice in such a case. Similarly, Russia may call upon China and India, should events in the Ukraine come to a head, and the US and Europe become involved. India could find itself in a precarious position should that happen.

In conclusion, India has much to gain from membership in the SCO but that membership will require a tremendous amount of judicious forethought before it accepts.

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